

PUBLIC DISCLOSURE

August 16, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

INVESTORS BANK & TRUST COMPANY

**200 CLARENDON STREET
BOSTON, MA 02117**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **INVESTORS BANK & TRUST COMPANY (or the "Bank")** prepared by the Division, the institution's supervisory agency, as of **August 16, 2005**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

SCOPE OF EXAMINATION

Investors Bank & Trust Company is designated as a wholesale institution under the laws of the Commonwealth of Massachusetts and the Board of Governors of the Federal Reserve System. Under the CRA regulation, the CRA performance of wholesale institutions is assessed under the community development test. The community development test considers the institution's community development activities, which are defined as community development lending, qualified investments and services with the primary purpose of community development. Performance of the institution is weighed in relation to the level of activity, innovativeness and complexity of activity and responsiveness to the community. Investors Bank & Trust Company's level of community development activities was measured by comparing current activities covering the time period of 2003, 2004 and year-to-date July 31, 2005. The institution's community development loan, investment and service files were reviewed to verify that activities were accurately classified.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding"

An institution in this group has a very good record of ascertaining and helping to meet the credit needs of its entire assessment area, including low and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Investors Bank & Trust Company does not have the distribution system necessary to be a direct originator of mortgages. The Bank cannot directly originate mortgage loans due to the constraints imposed upon it by its branch and personnel limitations. The Bank has utilized an investment program, with the assistance of outside mortgage companies, which securitize mortgage loans located in low and moderate-income census tracts. The Bank refers to this program as its Special Home Financing Program.

Through its community development activities, Investors Bank & Trust Company has funded programs that provide affordable housing, job training, educational and health related services within its assessment area. The institution exhibits an excellent level of responsiveness to credit and community economic development needs of its assessment area.

PERFORMANCE CONTEXT

Description of Institution

Investors Bank & Trust Company is designated as a wholesale institution under the CRA regulations of the Division. As of June 30, 2005, the institution had total assets of \$12.4 billion. This contrasts with an asset size of \$4.6 billion as of the previous examination, May 21, 2001. Net loans of \$209,820 represent 1.7 percent of total assets. Personal loans are fully secured by the borrower's securities held under trust.

Investors Bank & Trust Company operated as a subsidiary of Eaton Vance Corporation, an investment management firm, from its formation in 1969 through November 1995. The parent company formerly owned 77.3 percent of the Bank and revenues originated primarily from the asset administration services of the Bank. In 1995, the Board of Directors of the Bank and Eaton Vance determined to separate the business operations of the Bank from those of Eaton Vance by means of a tax free, prorata distribution of Eaton Vance's ownership in Investors Bank & Trust Company to the Eaton Vance stockholders. As a result, Investors Financial Services Corporation was created as the Bank's holding company. The principal reasons for the separation were to eliminate the regulatory restrictions the Bank was subject to under the Competitive Equality Banking Act of 1987 ("CEBA"), and to enable the Bank to pursue its own independent business goals. The elimination of the CEBA growth and activity restrictions enables the Bank to bring additional deposits from, and make loans to, its mutual fund clients.

The Bank's significant depository clients, which consist mainly of mutual funds, unit investment trusts and other pooled asset products, typically generate large cash balances from securities sales and other transactions which they wish to invest on a short-term basis. Because the Bank was previously subject to a 7 percent annual asset growth cap, under CEBA, it was not able to accept those deposits thus found it necessary to direct those deposits to other financial institutions, foregoing a potential source of revenue. Previously, Investors Bank & Trust Company directed client deposits averaging almost \$1.2 billion daily to other financial institutions. Investors Bank & Trust Company brought these deposits onto its balance sheet and as a result assets increased by over 100 percent from September 1995 to December 1995. These additional deposits are primarily invested in mortgage backed securities.

Investors Bank & Trust Company's primary business is asset administration. In the financial services industry, asset managers make investment decisions for their customers, and can be independent or affiliated with investment management companies, banks or insurance companies. As an asset administration company, Investors Bank & Trust Company performs various services for the asset managers and the pooled products in which they sponsor, including domestic and global securities custody, multicurrency accounting, transfer agency, portfolio performance management, foreign exchange, securities lending and administration. Investors Bank & Trust Company also offers trust custody services. This service provides securities custody and accounting services to individuals, family groups, trusts, endowments, foundations, and retirement plans. The

PERFORMANCE CONTEXT (CONTINUED)

Bank develops its client base by forming relationships with investment advisors, unrelated to Investors Bank & Trust Company, and working with advisors to service mutual clients. Investors Bank & Trust Company does not hold itself out to the retail public as providing loans. Investors Bank & Trust Company is not in the business of extending home mortgage, small-business, small-farm, or consumer loans to retail customers.

Investors Bank & Trust does not make small business loans directly to any of its customers. This type of commercial loan is outside of its loan policy and beyond the resources of the loan department. The Bank will make loans for business use through its traditional lending.

Investors Bank & Trust Company plans to continue a strategy of providing global and domestic custody and multicurrency accounting as the principal asset administration services provided to the Bank's clients. The Bank's securities lending, foreign exchange, transfer agency and mutual administration services are value-added services, used by clients based on their particular needs. The objective of the Bank is to provide a broad range of services to all clients, maximize the use of its value-added services and increase the size of its client base. The Bank's lending is designed to expand primarily to its mutual fund clients, with the balance of loan growth to come from its trust custody clients consistent with the asset growth of that business. The Bank does not plan to expand lending beyond these two markets.

While under the restrictions of CEBA, the Bank met its CRA lending responsibilities through the financing of homes in low and moderate-income census tracts in the City of Boston. The Bank designed a program after ascertaining that one of the most important needs of its assessment area was home financing. Investors Bank & Trust Company then developed a specialized investment vehicle to meet these community needs without violating the CEBA prohibition against taking mortgages as loan collateral. Investors Bank & Trust Company contracted a mortgage loan originator who agreed to package loans made in low and moderate-income areas of Investors Bank & Trust Company's CRA assessment area (Boston MSA). These loans are then packaged into a customized FNMA security. Along with the FNMA security, the Bank receives the application for each mortgage along with other documentation which shows the homes were directly financed by the Bank and are located in low and moderate-income areas in the City of Boston.

The Bank has a CRA Committee that meets on a quarterly basis, and is primarily responsible for meeting with community development organizations located inside the assessment area. Currently, the committee consists of five members. The committee administers the initiatives set forth in the Bank's CRA statement. The goal of the CRA Committee is to develop ways in which the Bank can provide financing for low and moderate income housing inside its assessment area. The CRA Committee has developed a primary theme of helping to finance low and moderate-income housing in Boston, primarily through the Investors Bank & Trust Company's Special Home Financing Program. Findings of the CRA Committee are reported to the Board of Directors on a quarterly basis.

PERFORMANCE CONTEXT

Investors Bank & Trust Company's headquarters is located at the Hancock Tower, 200 Clarendon Street in Boston.

Non-U.S. investors in certain pooled investment vehicles are subject to U.S. income tax if their income is effectively connected with the conduct of a trade or business in the United States. Operating an investment fund from an offshore location is a requirement for sheltering an investment fund from taxation in the United States. In 1993, the Bank opened a subsidiary in Toronto, Canada to service the growing offshore mutual fund market. In July 1994, the Bank opened an office in Dublin, Ireland to service European clients. In February of 1996, the Bank opened a small administration site in the Cayman Islands to service Caribbean based funds.

Investors Bank & Trust Company was last examined for compliance with CRA by the Division as of May 29, 2001. That examination resulted in a rating of High Satisfactory.

Description of Assessment Area

Although Investors Bank & Trust Company operates on a nationwide basis, it recognizes its special obligation of service to the community in which it is physically located. Understanding this obligation to the Commonwealth of Massachusetts, the Bank has delineated the entire Boston Metropolitan Statistical Area ("MSA") as its assessment area. As the changes have occurred from MSAs to MA MD, Investors Bank & Trust Company now defines its assessment area as Suffolk County, Essex County, Middlesex County, Norfolk County, and Plymouth County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE

A wholesale institution may lend or invest outside of its assessment area once it has been determined that the Bank is meeting the needs of its assessment area. It has been determined that an excellent level of investment took place within the Bank's assessment area to therefore warrant consideration of activity in other parts of the country.

LEVEL OF ACTIVITY

COMMUNITY DEVELOPMENT INVESTMENTS

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. In recognition of the many legal limitations on bank investments, and the long-term nature and complexity of many community development investments, the CRA regulation allows some reasonable consideration for the entire bank portfolio of qualified investments; not just those made since the previous CRA examination.

Qualified Investments

Investors Bank & Trust Company does not have the distribution system necessary to be a direct originator of mortgages. Investors Bank & Trust Company cannot directly originate a significant volume of mortgage loans due to the constraints imposed upon it by its branch and personnel limitations, specifically the lack of trained mortgage personnel. As a result, the Bank has decided that an investment program with mortgage companies would be a more productive means of achieving its CRA objectives in financing housing in the low and moderate-income areas throughout the assessment area. The Bank also invests in qualified bonds sponsored by the Massachusetts Housing Finance Agency and equity investments through the Boston Community Loan Fund. As of June 30, 2005, the Bank's CRA investment portfolio totaled \$95.5 million which represents .77 percent, exceeding its goal of .65 percent.

Investors Bank & Trust Company maintains agreements with three different firms to originate and package loans for securitization by FNMA. These securities are backed by mortgages to low and moderate-income borrowers and loans generated in low and moderate-income areas, particularly within the Investors Bank & Trust Company's assessment area.

Mortgage-Backed Securities

FNMA offers CRA-targeted mortgage-backed securities that meet the regulatory definition of community development which qualify the financial institution for credit under the investment test for CRA purposes. These securities are backed by residential mortgages, in which a substantial majority, are either located in low or moderate-income tracts, or were originated to low or moderate-income borrowers. Investors Bank & Trust Company has invested in \$97,998,411 in qualified mortgage backed securities from 2003 through year-to-date June 30, 2005. In addition to the securities purchased during the examination, the Bank retains a portfolio of mortgage backed securities that had a total

CONCLUSIONS WITH RESPECT TO PERFORMANCE (CONTINUED)

face value of \$160,351,174. The current book value of these retained investments is \$75,193,323.

Massachusetts Housing Finance Agency

Massachusetts Housing Finance Agency ("MHFA") sells federally authorized, tax exempt and taxable bonds to individual and corporate investors. The sale of these bonds raises private capital for mortgages which MHFA loans to eligible borrowers and developers. The money is loaned at rates that are well below those offered by conventional lenders, thus making housing financed through MHFA more affordable to low and moderate income households. During the time period covered by this evaluation, Investors Bank & Trust Company purchased a \$5,000,000 MHFA bond that will finance affordable housing developments within the Commonwealth of Massachusetts. In addition to the current investment, Investors Bank & Trust Company holds five additional MHFA investment bonds with a face value totaling \$7,850,000 and current book value of \$7,761,131.

Small Business Investments

Investors Bank & Trust Company invests in securitized Small Business Administration ("SBA") Loan Pools. During the examination period, the Bank purchased a face value totaling over \$1.8 billion. Prior purchases remaining on the Bank's books totaled approximately \$1.5 billion with a current book value of \$768 million. While the SBA loan pools are nationwide, several of the loans in the pool are within the Bank's assessment area or greater metropolitan area of the Bank.

Massachusetts Housing Investment Corporation

Investors Bank & Trust Company continues to maintain a \$250,000 equity investment in the Massachusetts Housing Investment Corporation ("MHIC") Limited Liability Company ("LLC") loan program. MHIC is operating for the continuing development of affordable housing in communities across Massachusetts. MHIC has a history of being an innovative private financier of affordable housing and community development throughout Massachusetts. The LLC loan program allows MHIC to provide financing to developers and projects that would not otherwise be able to receive financing. MHIC has also been certified as a community development financial institution.

Qualified Grants

Investors Bank & Trust Company has provided grants to organizations that provide education and job skills training, neighborhood revitalization, youth programs and health and human services for individuals in need. From January 1, 2003 through July 31, 2005, Investors Bank & Trust Company extended qualified grants totaling \$184,075. Examples of grants, which qualify as community development, have been provided to the following organizations:

CONCLUSIONS WITH RESPECT TO PERFORMANCE (CONTINUED)

Financial Services Academy

The New England College of Finance established the Financial Services Academy to assist the financial services industry in attracting and retaining qualified entry level personnel. The Academy's mission is accomplished by recruiting appropriate candidates from diverse inner city and suburban populations. Refer to the Community Development Services section of this examination for more details of this program.

The Walker Home and School

This is a non-profit school established to serve children and youth with behavioral difficulties resulting from serious emotional disturbances, developmental and neurological disorders, or a combination of all three. Clients are referred to this agency through their public schools, child welfare agencies or mental health workers. Children are admitted to this facility regardless of their ability to pay. Funding is provided through public school funding, welfare agencies, and Department of Mental Health funding and private support.

The United Way

Investors Bank & Trust Company has made several donations to the United Way during the examination period. Targeted donations to qualified programs included the "Success By 6 Leadership Program." This program provides early intervention in the areas of health care, child care, and parenting education resources for at risk children.

COMMUNITY DEVELOPMENT LENDING

Boston Community Loan Fund (BCLF)

The BCLF, an affiliate of Boston Community Capital, was established as a non-profit organization in 1985 to lend funds, on a secured basis, to community organizations for building community development projects in low-income communities. BCLF received a Community Development Financial Institution (CDFI) designation in 1995. Investors Bank & Trust Company invested \$1,000,000 in the BCLF in May 2003. This investment which has a 10-year term represents an approximate 7 percent interest in the fund's total permanent capital of \$14.4 million. Interpretation of the regulation allows the institution to receive its pro rata share of the fund's total lending activities during the examination period. Since the Bank's initial investment, the fund provided \$58,951,811 to various community development organizations, such as Roxbury Multi-Service Center, Neighborhood of Affordable Housing (NOAH), Mattapan CDC and YWCA of Boston. The Bank receives consideration for its pro rata share of the total lending dollars generated through the fund which totals \$4,611,503.

Additionally, during this same time period, Investors Bank & Trust Company provided a low interest loan to the BCLF in the amount of \$12,500.

CONCLUSIONS WITH RESPECT TO PERFORMANCE (CONTINUED)

FAIR LENDING POLICIES AND PRACTICES

Responses to the criteria used for evaluation purposes should be read with an understanding of Investors Bank & Trust Company's lending business. The Bank's loan policy prohibits any loans to borrowers that do not purchase custody services from the Bank. The Bank considers loans a value-added service to securities custody, and seeks to minimize risks associated with its lending services. Loans are provided only to custody clients of the Bank and each loan is secured or may be secured by assets that the Bank holds as custodian.

Investors Bank & Trust Company maintains a CRA Committee that meets regularly. The committee maintains training in CRA and Fair Lending through regular reviews of the relevant regulations and various publications. Investors Bank & Trust Company's Loan and Credit Policy are reviewed by the Loan Department annually and approved by the Board of Directors annually. The Bank targets its marketing efforts to the individuals, trusts, and mutual fund companies that are clients of the Bank's securities custody services. Because of the nature of the Bank's lending relationships, the Bank does not use credit applications. Also, because the Bank does not originate any mortgage loans, seminars are not held. Virtually, all credit requests are from clients who are generally financially knowledgeable and often use a financial advisor in the transaction. The Bank does not offer mortgage products, therefore, the staff does not have the requisite expertise to provide education regarding home buying and the related credit application process. Investors Bank & Trust Company does not rely on applications nor does it provide retail services. Therefore, second review procedures are not applicable. The Bank's internal audit department provides a review of policies and procedures for compliance and CRA issues on a yearly basis.

COMMUNITY DEVELOPMENT SERVICES

Community development services are defined as activities in which the institution, or its staff, provides services or technical expertise with a primary purpose of community development. Investors Bank & Trust Company has maintained a reasonable level of involvement in community development service activities since the last examination. Detailed below are the community development services provided by Investors Bank & Trust Company:

Financial Services Academy

The New England College of Finance established the Financial Services Academy to assist the financial services industry in attracting and retaining qualified entry level personnel. The Academy's mission is accomplished by recruiting appropriate candidates from diverse inner city and suburban populations. The College, in conjunction with non-profit community agencies, recruits appropriate applicants, conducts initial screenings, and provides training in basic skills. The candidates include community residents from among the working poor, recent high school graduates, recipients of public assistance, and adults in career transition. The College also

CONCLUSIONS WITH RESPECT TO PERFORMANCE (CONTINUED)

established a process of industry specific certification to ensure that candidates meet employer requirements. Participating financial institutions serve on the Academy's governing board, and establish competency-based certification standards. Financial institutions are also encouraged to redefine entry-level job requirements to match the actual skills needed to perform the work. Certification testing is also provided by the Academy on behalf of its member institutions. In addition, the Academy would offer post placement education (at employer's expense) and support services to promote retention, increased job performance, and career advancement.

Investors Bank & Trust Company is a founding member of the Academy. Investors Bank & Trust Company's Managing Director of Human Resources is a member of the Board of Overseers for the Academy and serves on the Finance and Budget Committee.

The Financial Wizard Program

The Financial Wizard Program is a different approach to learning math that teams business professionals with teachers in elementary school classrooms. The students are able to broaden their horizons by gaining valuable direct exposure to business professionals.

The volunteers team up with classroom teachers to deliver a unique set of lessons in basic math concepts, money concepts, and financial markets. Investors Bank & Trust Company has formed a team of 10 volunteers to teach two third grade classes at the Young Achievers Science & Mathematics school in the Jamaica Plain section of Boston.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 200 Clarendon Street in Boston, MA 02116.

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.